

M e m o r a n d u m

To: Panel Members Date: June 22, 2007

From: Ruby Cohen, Manager Analyst: J. Daunt

Subject: One-Step Agreement for **PARAMOUNT CITRUS ASSOCIATION (HUA)**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition Training In High Unemployment Areas of California
- Legislative Priorities: Promotion of California's Manufacturing Workforce Stimulating Exports / Imports
- Type of Industry: Manufacturing Crops / Agriculture
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 1,000
 - *In California:* 1,000
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$220,644
- Substantial Contribution: \$0
- Total ETP Funding: \$220,644
- Total In-kind Contribution: \$240,145
 - *Trainee Wages Paid During Training:* \$230,145
 - *Other Contributions:* \$10,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Kern, Tulare

INTRODUCTION:

Paramount Citrus Association® (PCA) is an integrated citrus fruit grower/packer/shipper, directly owning and/or managing approximately 20,000 acres of active crop-producing land in California, primarily in the San Joaquin Valley and Ventura County, as well as 10,000 additional acres operated by a subsidiary not included under the proposal. PCA's products and varieties include Navel oranges, Valencia oranges, Lemons, Clementine Mandarins, and other citrus fruits and varieties. PCA is headquartered in Delano and has approximately 1,000 employees, all of them in California.

PCA is eligible under Title 22, California Code of Regulations (CCR), Sections 4416(d)(1, 2) and 4416(i)(2) for standard retraining and is eligible for priority funding as a company engaged in manufacturing/crop production.

This project was originally submitted to ETP in December, but was withdrawn after the January 2007 freeze that destroyed much of California's citrus crop. The damage to oranges alone is estimated at more than \$600 million in California. This has cut sharply into production and employment at PCA. The worst damage was to the winter navel crop. PCA's summer Valencia orange crop is beginning, but Company representatives state that the harvest will be well below normal because of the continuing effects of the freeze.

The proposed training project will permit PCA to increase levels of employment this summer by training during slow production periods. The Company proposes to use the continued slow production period this summer for accelerated training. According to PCA representatives, the training will prevent the layoff of some employees and enable more employees to be called back for work earlier than planned. Normal production is expected to resume next fall with the new Navel orange crop.

Company representatives have submitted to ETP a proposal to train 227 PCA employees. Training will include manufacturing skills, computer skills, continuous improvement, and management skills. A primary goal of the training is to improve occupational skills as the Company transitions from an agricultural to a manufacturing production model. Training will take place at PCA's production facilities in Delano and Visalia.

MEETING ETP GOALS AND OBJECTIVES:

PCA proposes that this training will further the following ETP goals and objectives:

1. Promote California's manufacturing workforce.
2. Provide frontline workers with skills that prepare them for high performance workplaces of the future and global competition.
3. Foster job retention in industries threatened by out-of-state competition.

TRAINING PLAN TABLE:

Job Number Trainee Type	Types Of Training	No. Retain	No. Class / Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
1 Retrainee HUA	MENU Manufacturing Skills Continuous Improvement Computer Skills Management Skills	36	24-200	0	\$972	*\$12.38- \$53.37
2 Retrainee HUA	MENU Manufacturing Skills Continuous Improvement Computer Skills	191	24-200	0	\$972	*\$10.19- \$13.25
Wages After 90-Day Retention						
<u>Occupations</u>						
Clerks Equipment Operators Maintenance Mechanics Processors Technicians Warehouse/Shipping Personnel Leads Administrative Support Staff Supervisors Managers						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>					<u>Turnover Rate</u>	<u>% Of Mgrs & Supervisors To Be Trained:</u>
*For trainees in Job Number 1, health, dental, and/or vision benefits of at least \$2.97 per hour may be added to trainee wages in order to meet the ETP minimum of \$12.38 per hour in Kern and Tulare Counties. For Job Number 2 trainees, health, dental, and/or vision benefits of at least \$2.97 per hour may be added to trainee wages in order to meet the minimum of \$10.19 per hour, after the 7 percent raise at the end of retention.					18%	4.8 %
<u>Other Employee Benefits:</u>						
Holidays, personal time off, life insurance, 401K with company matching plan, short-term and long-term disability, and college bound program for dependents.						

COMMENTS / ISSUES:

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee), except for 11 exempt managers and supervisors, representing 4.8 percent of the trainee population.

COMMENTS / ISSUES (continued)

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***1,400 Hours As Meeting Full-Time Employment Status***

Although Paramount Citrus packs and ships fruit year round, due to different fruit varieties ripening at different times of the year, fruit volume nevertheless varies based on time of year and the varieties being harvested. Fluctuations in the availability of citrus from the orchards to the packing plant are reflected in hours worked by employees. In the production areas, employees are considered full-time if they work at least 1,400 hours per year, which is derived from a standard contract among a group of central valley food production employers and Teamsters Local 601. Paramount has chosen to use the same provisions as are found in the standard Teamsters Local 601 labor agreement including the 1400-hour provision, even though Paramount workers are not represented by that union or any other. Company officials have determined that it is in keeping with good business practices to maintain consistency with the practices of the industry generally, and have thus adopted the minimum. All of these employees are considered full-time employees, receiving full benefits that are equivalent to benefits for full-time employees in the other classifications such as administrative support personnel, to which the 1,400 maximum does not apply.

In the past, the Panel has approved similar proposals for other food processing plants, including Pacific Coast Producers, Del Monte, Unilever, and Dole Fresh Vegetables, allowing reimbursement for the training of workers at 1,400 hours or more per year. Thus, in these cases, ETP has used 1,400 hours as the definition of full-time employment.

Staff recommends that the Panel once again determine that the industry-wide standard of 1,400 or more per year meets the Panel's definition of full-time employment.

➤ ***Wage Waiver Request – High Unemployment Area***

The Panel targets training in California cities that have unemployment rates at least 25 percent higher than the state unemployment rate. These proposals focus on workers who have full-time jobs and stable employment, but earn less than the ETP minimum and lack essential job skills to improve their opportunities. Both Kern and Tulare Counties perennially exceed 125 percent of the statewide rate and are thus High Unemployment Areas (HUAs).

ETP's minimum hourly wage for Kern and Tulare Counties is \$12.38. Of the 227 trainees to be included in this proposal, 191 earn hourly wages (including the health-dental-vision benefit) that fall short of the \$12.38 minimum. PCA is proposing to train these workers under ETP's HUA provisions. That is, these 191 trainees (Job Number 2), upon completion of the retention period, would receive a raise of at least seven (7) percent. Thus, after these wage increases, base hourly wages for Job Number 2 would be between \$7.23 and \$10.31. With health-dental-vision benefits, the Job Number 2 wages range is \$10.19-\$13.25. Wages for trainees in Job Number 1, with health benefits included, meet ETP's minimum hourly wage.

COMMENTS / ISSUES (continued)

Because of the benefits to both the employer and the employees, staff recommends the inclusion of the Job Number 2 workers in this proposal.

RECOMMENDATION:

Staff recommends that the Panel:

- (1) allow a wage waiver to the standard ETP's minimum for 191 trainees;
- (2) approve the 1,400-hour annual minimum as full-time employment for meeting Panel requirements;
- (3) approve this priority industry proposal, to allow PCA to use the continued slow production period this summer for accelerated training, after the freeze of January 2007. The program will also address PCA's need to train its workers in skills required for transforming from an agricultural to a manufacturing model, supporting California's manufacturing workforce and providing long-term employment security in a high unemployment area of the state.

NARRATIVE:

Founded in 1950, PCA began as a Navel and Valencia Orange farming operation. By 1966 the PCA had about 1,000 acres in production. In 2000 PCA bought the fresh citrus operations of Dole Food Company. Brand names include the Paramount Citrus brand, as well as Ultimate, Gold Buckle, California Cutie, and Cal Fame.

Company representatives state that PCA is the largest producer of fresh citrus in the United States, annually shipping approximately 15 percent of the nation's fresh oranges and lemons. With 20,000 acres of citrus orchards in the San Joaquin Valley and Ventura County (and another 10,000 acres through the PCA's S & J Farm Management subsidiary, which is not participating in the ETP project) supplying packing plants in Kern and Tulare Counties, PCA ships an average of 12 million 40-pound cartons of oranges and lemons each year, totaling 480 million pounds of fresh fruit in annual production. About 25 percent of the PCA's fruit is shipped abroad; the rest is shipped throughout North America, year-round.

PCA representatives state that although the company uses best practices in its horticultural, harvesting and processing operations, the business is competitive and the market is changing rapidly as more citrus is grown in South America and Australia. To hold onto its position and ship quality fruit as efficiently and economically as possible, PCA is proposing an employee training program for its San Joaquin Valley packing plants to enhance team skills, problem solving, communications, using data, and measuring, maintaining and documenting quality.

The January freeze destroyed most of the citrus crop in California, with consequent, sharp cuts in production and employment at PCA. According to representatives, PCA sees the current slow production period that has resulted from the freeze as an opportunity to accomplish

NARRATIVE: (continued)

necessary training. They add that the training will prevent the layoff of some employees and enable more employees to be called back for work earlier than planned.

PCA is in many ways still an agricultural operation, according to representatives. They state that the traditional procedures are inadequate. This project has been designed to allow the PCA to move toward a manufacturing production model, bringing greater consistency and more efficient procedures in continuous improvement, management, and documentation.

Employees will learn to apply standard operating procedures, continuous improvement principles, computer management tools, and other manufacturing systems. Representatives state that training will help existing workers learn the new skills needed to make the transition with PCA. The menu curriculum includes the following:

Continuous Improvement – Trainees in all job classifications will receive Continuous Improvement training. Emphasis is on designing and carrying out improvement projects, using procedures that include the “5 S” system for work station management, and related procedures. Trainees will learn to work together to analyze work processes, identify waste, and develop projects to reduce and eliminate waste.

Manufacturing Skills – Trainees working as citrus processors, equipment operators, leads, maintenance mechanics, technicians and warehouse personnel will receive manufacturing skills training to improve the consistency and standardization of work, according to industry-standard best practices. These trainees will also learn maintenance and preventive maintenance skills.

Management Skills – Trainees working as managers, supervisors and leads will learn team leadership skills, coaching, and feedback. They will also learn techniques for working with suppliers and managing farming operations.

Computer Skills – This training will be provided to employees working in all job groups to enable them to use computer data bases to record transactions, create reports, manage data, and direct company operations.

Commitment to Training

ETP funding will not displace the employer's resources for training. PCA is spending in excess of \$150,000 annually on training. In the past, the Company has provided, organization-wide, new employee orientations, safety training and on-the-job training in equipment operation and company procedures. This training is continuing, as needed, and is not included in the proposed curriculum.

The anticipated effects of training, according to company representatives, are that the training project will allow PCA to provide a significant portion of the Company's workforce with the skills necessary for PCA to transition efficiently and productively from an agricultural to a manufacturing production model. The project will permit PCA to provide formal classroom training, in a manner that has not been possible in the past.

PCA intends to continue the training proposed in this application after the ETP contract ends, using its own funding.

SUBCONTRACTORS:

Steve Duscha Advisories of Sacramento will provide administrative services for a fee of 13 percent of the amount earned by the Contractor from its ETP Agreement.

THIRD PARTY SERVICES:

Steve Duscha Advisories assisted with the planning of training and the completion of the ETP application for a fee of \$10,000.

PRIOR PROJECTS:

PCA had an ETP training project in the 1990s, which ended well over five years ago.

ACTIVE PROJECTS:

None.

Paramount Citrus Association
Menu Curriculum

Class Lab Hours

Job Number 1 24 - 200

Job Number 2 24 - 200

Trainees will receive any of the following:

Continuous Improvement

- Identifying Waste
- Designing an Improvement Project
- 5 S's
- Data Requirements
- Implementation
- Tools for Analysis and Implementation
- Working as a Team
- Reporting
- Measuring Results
- Six Sigma

Manufacturing Skills

- Good Manufacturing Practices
- Machine Operation
- Forklift Certification
- Food Safety
- Sanitation Procedures
- Conveyor Operation
- Preventive Maintenance
- Troubleshooting
- Refrigeration Systems
- Packing Systems
- Sorting Systems
- Control Systems
- Mechanical Systems
- Electronic Systems

Management Skills – for Managers and Supervisors only

- Leading Teams
- Roles and Responsibilities
- Coaching
- Setting Expectations
- Measuring Results
- Cost Analysis and Budgeting
- Supplier Relations
- Crop Management

Paramount Citrus Association
Menu Curriculum (continued)

Computer Skills

- Managing Data
- Creating Reports
- Using Applications
- Transactions